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THE COST-ACCOUNTING SYSTEM IN THE HARBIN RAILWAY SHOPS

The cost-accounting system of the Harbin Railway Shops was developed collectively by the workers. When the shop management wanted to know the cost of various operations, the workers discussed the means of determining such costs. Although the workers had little theoretical knowledge of the subject, they were convinced that a pooling of their practical experience could be useful.

The first result of considerable discussion was the assigning of a number to each job and to each operation. Then the requisition of materials, and a record of the time required for the job were handled under the assigned numbers, and indirect expenses apportioned according to the job number. Classification categories were set up for the entire job, to include all labor and materials in the various steps from beginning to end. Thus, the Harbin shop's cost-accounting system was formulated.

The purpose of the system is to know the total cost of a repair job, including labor costs, material costs, and manufacturing costs. Since the work of this repair shop consists of repairing locomotives, passenger and freight cars, including wheel assemblies, and the manufacture of replacement parts, the problem was how to secure accurate control of all cost figures, in view of the diversity of jobs and operations, and the considerable time required on some of them.

Labor Costs

A careful checking system was instituted. Every worker must carry his numbered identification card and turn it in at the office when he leaves. He must receive from his foreman a slip showing the pay due him for each job, figured by piece rates or hour rates, before going to another job. If he works, for example, on five different jobs having five different job numbers, he must have five slips bearing the respective numbers, showing the time spent on each job and the pay to which he is entitled in each case. The actual working time, excluding overtime or lost time, should agree with the total time recorded on

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the job slips. A daily check of the working time reported on all job slips is made by the general timekeeper from his records, and the total time is recorded upon each work-slip. These two totals should be in agreement. This is the basis on which each workman is paid.

The purpose of securing an accurate record of working time is to compute the production rate of shop labor and to distribute the labor cost and indirect cost for each operation on each job. For instance, suppose Job No 111-1159 required 30 hours work. At the end of the month, the total direct labor cost of the whole shop concerned is calculated. This figure is derived by totaling the wages paid to all workmen in the shop according to their pay slips for the month. Then the total number of hours work put in by all the workmen in the shop for the month, based upon their pay slips is computed. By dividing the former figure by the latter, the unit labor cost per hour per workman is found. If this were to work out to 10,000 yuan per man-hour, then the labor cost of Job 111-1159 would be 300,000 yuan.

Material Cost

The material cost system requires a central materials warehouse to control all accession, storage, issuing, and return of materials. No single section of the shop may store materials. This system is the result of experience with materials management in various railway shops. All shops constantly have waste, broken, and spoiled materials showing up. Each shop section reports such materials on a salvage collection report blank or in a shortage and breakage record book, and sends the reported materials to the central materials warehouse. The warehouse then sets a value on each item according to its condition and worth and stores it for possible future use. This value is then deducted from the indirect costs of the shop section from which it came.

For example, if a part is taken from a car under repair or awaiting repair to meet an urgent need, a materials return slip is credited to the account of the car from which it was taken, and simultaneously a requisition slip bearing the number of the job on which the borrowed part was used is executed and charged against the borrowing job. These slips naturally pass through the office of the central materials warehouse, so that the proper materials cost entries may be made for both jobs. At the end of each month, the cost-accounting department enters the materials cost charges for each repair or manufacturing job on the basis of the requisition (issuing) and return slips which have been properly numbered, authenticated and, sent in by the warehouse.

Indirect or Overhead Costs

What should be included in indirect costs, or overhead? What salaries and wages should be included? To what extent should maintenance and repair costs of plant and equipment be included and apportioned as job costs? Answers to all of these and other kindred questions have to be arrived at after thorough analysis and adjudication. Also to be included and apportioned are depreciation, loss and breakage, transport section expenses, materials section disbursements, power-supply costs and office overhead expenses.

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